

From: "Jimmy F Campbell" <jcampbell@communitybank-tx.com> on 02/27/2006 05:05:00 PM

Subject: Commercial Real Estate Lending

Ms. Johnson -

Thanks for the opportunity to comment on the above proposed guidance concerning the Concentrations in Commercial Real Estate lending. Having survived the 80's and early 90's in the State of Texas, I have a particular historic interest in this type lending. I have read the proposal and actually have very few comments about its content. My greatest fear is that this "guidance" will become "gospel" and be interpreted in any number of ways by various examination staffs. The size criteria mentioned in the section "Identification of Institutions With CRE Concentrations" tend to become the rule in the field rather than a guide. These thresholds are surrounded by nebulous words like "heightened risk management", "appropriate to the degree", and "supervisory expectations". I have no issue with the size of the thresholds, only the application of them in the field.

Regarding raw land and construction loans, I did not find specific language segregating construction loans for a specific homeowner (custom construction) from speculative home construction. I also didn't see any segregation of loans to individuals for a lot for a future home vs. lots for sale for future home sites. I do not know if it was intended for these loan types to be considered in the "owner-occupied" section. However, in my opinion, they should be excluded from the calculation as they are dependent upon the credit and repayment ability of the individual borrower.

The Southern District Office of the Comptroller of the Currency published a CRE review for weaknesses and best practices it found in about 400 banks in its region. A part of that report is a matrix where various loan types are segregated into three (3) different risk categories, from Higher to Lower. This report, while very similar to the proposed guidance, is much more informative. I would suggest incorporation some of its parts, as well as the matrix, into the proposal.

Thanks for your time in considering these comments.